

THIRD ANNUAL CONFERENCE ON EUROPEAN INTEGRATION

**GLOBALIZATION
OF
THE
REGION:**

**EU PERSPECTIVES
AS A CHALLENGE**

SKOPJE, MAY 30th, 2008

***SURVEY OF DECISION MAKING PRACTICES OF MACEDONIAN
MANAGERS***

Bojadziev M., PhD

Barisin M, MBA

Milovanovic Z., PhD

Krliu V., MBA

1 Individual Decision Making Styles

Corporate employees typically follow one of four decision-making styles: analytical, directive, conceptual, and behavioural. These four styles are described in a book by Alan J. Rowe and Richard O. Mason.¹

In the Rowe and Boulgarides typology, the primary need of **directive decision makers** is power. They are results-oriented, but also want to dominate others. They have a low tolerance for ambiguity and prefer low levels of cognitive complexity. This preference limits the amount of information that they gather and the number of alternatives that they consider. These people are aggressive, act rapidly, take charge, persuasive and/or are manipulative, use rules, need power/status, impatient, productive, single-minded, and enjoy individual achievements.

Analytic decision makers have a strong need for achievement in the form of new challenges. They have greater tolerance for ambiguity than their directive counterparts. Their comfort with cognitive complexity strongly encourages data collection and processing. They make decisions slowly because they want to examine the situation thoroughly and consider many alternatives systematically. These people are technical, logical, careful, methodical, need much data, like order, enjoy problem-solving, enjoy structure, enjoy scientific study, and enjoy working alone.

Conceptual decision makers are achievement oriented like their analytic counterparts, but crave extrinsic rewards, such as praise, recognition, and independence. They are comfortable with a high degree of cognitive complexity and also have a strong people orientation. Conceptual decision makers typically gather information from multiple sources and consider many alternatives. They tend to take a long-term perspective, exhibiting considerable creativity and idealism. These people are creative and artistic, future oriented, like to brainstorm, want

¹ Alan J. Rowe and Richard O. Mason, *Managing with Style: A Guide to Understanding, Assessing and Improving Decision-Making* (San Francisco: Jossey-Bass Management Series, 1987) cited in Witherspoon, "Coping with Change."

independence, use judgment, optimistic, use ideas vs. data, look at the big picture, are rebellious and opinionated, and committed to principles or a vision.

Behavioural decision makers are driven primarily by a need for affiliation. This type has a low cognitive complexity, but a strong people orientation. Behavioural style managers tend to communicate easily and be very concerned with the well-being of their peers and subordinates. They are typically receptive to suggestions, willing to compromise, and prefer loose controls. These people are supportive of others, empathetic, want affiliation, nurture others, communicate easily, use instinct, avoid stress, avoid conflict, rely on feelings instead of data, and enjoy team/group efforts

This part would give us enough information to be able to analyze the individual decision making styles of Macedonian managers. As a result we should be able to distinguish between analytic, conceptual, directive and behavioural style.

Following are the questions of the questionnaire on Decision Making Styles.

Please show how often each of the following applies to you by circling the number that you think applies: 1= very frequently or never; 2=infrequently; 3=quite infrequently; 4=quite frequently, 5= very frequently

	1	2	3	4	5
I put more emphasis on creativity than rational when making decisions? (to determine ways of thinking)	1	2	3	4	5
Do you have the need to structure information in ways that minimize uncertainty? (to determine tolerance of ambiguity)	1	2	3	4	5
Are you able to process many thoughts at the same time? (to determine tolerance of ambiguity)	1	2	3	4	5
Do you feel comfortable dealing with novel and unexpected situations? (to determine tolerance of ambiguity)	1	2	3	4	5
Do you remain calm when you have to make decisions very quickly? (directive type)	1	2	3	4	5
When you find one option that will just about do, do you leave it at that? (bounded rationality)	1	2	3	4	5
In your decision making how often are practicalities more important than principles? (if yes would indicate a directive type) (if no – conceptual)	1	2	3	4	5
Do you enjoy working alone? (if it is a definite yes – directive, if a definite no – behavioural)	1	2	3	4	5
Do you make decisions without considering all of the implications? (bounded rationality) (if yes – it would indicate directive type) (if in the middle – analytic type) (if high – conceptual)	1	2	3	4	5
Do you carry on looking for something better even if you have found a course of action that is satisfying? (Bounded rationality) (if NO it indicates directive type) (if in the middle – analytic) (if high – conceptual)	1	2	3	4	5
Do you need a lot of time to make a decision? (if no it would be a directive type)	1	2	3	4	5
Do you use data from multiple sources and evaluate as many alternatives that you can come with? (if yes – conceptual) (if in the middle – analytic) (if low directive)	1	2	3	4	5
Do you work out all the pros and cons before making a decision? (if yes – conceptual)	1	2	3	4	5

Are you good at finding creative solutions to problems? (if high – conceptual)	1	2	3	4	5
Do you avoid conflict? (if yes indicates behavioural style)	1	2	3	4	5
Do you consult with others when making a decision? (participative DM) – indicates behavioural style	1	2	3	4	5
Do you make up your own mind about things regardless of what others think? (if no – determines seeking acceptance hence – behavioural type)	1	2	3	4	5

BIASES IN DECISION MAKING

Do you stick by your decisions no matter what (even if it seems that your initial decision might have been wrong)? (escalation of commitment bias)	1	2	3	4	5
Do you feel in control of things? (grounds for illusion of control bias)	1	2	3	4	5
Do you have the tendency to underestimate the time needed to complete some project? (planning fallacy)	1	2	3	4	5
Do you prefer things to stay relatively the same? (status quo bias)	1	2	3	4	5
Do you tend seek advice from people who share your views? (bases for conformation bias)	1	2	3	4	5

2 Situational Framework for Decision Making

This part concentrates on the organizational variables influencing decision making. It covers areas such as the structure of the decision, the criteria for evaluating alternatives, as well as the ethical aspects of decision making in Macedonia.

2.1 Categories of Decisions:

Programmed Decisions are programmed to the extent that they are repetitive and routine, to the extent that a definite procedure has been worked out for handling them so that they don't have to be treated as new each time they occur. The obvious reason why programmed decisions

tend to be repetitive and vice versa is that if a particular problem recurs often enough a routine procedure will usually be worked out for solving it. Numerous examples of programmed decisions in organizations will occur to you: pricing ordinary customers' orders; determining salary payments to employees who have been ill; reordering office supplies.

Nonprogrammed: Decisions are nonprogrammed to the extent that they are novel, unstructured, and consequential. There is no cut and dried method for handling the problem because it hasn't arisen before, or because its precise nature and structure are elusive or complex, or because it is so important that it deserves a custom tailored treatment.

2.2 Criteria for Evaluating Alternatives in Decision Making

These questions are pertaining to the decision making process within the organization the responded works in. Do not necessarily cover the respondent's decision making process but focuses on the opinions and knowledge the respondent has on the way decisions are made within his or hers organization. The criteria of concern in this study are: the legal issues, ethical issues, the economic feasibility and the practicality of choosing a course of action.

PROGRAMMED VRESUS NONPROGRAMMED

To what extent are you required to make repetitive and routine decision at you job?	1	2	3	4	5
To what extent do you have a definite procedure available for you to make decisions?	1	2	3	4	5
To what extent are you required to make new and unstructured decisions for which there is no definite procedure developed?	1	2	3	4	5

From the results of these questions it would be feasible to determine which of the criteria receive the most attention when evaluating alternative courses of action. Bearing in mind that these criteria is not mutually exclusive and that the ideal case would be to consider all of them as equally important, the results should give a clear picture of the situation pertaining these issues in Macedonian decision making process.

2.3 Company/Industry Life Cycle

This part also deals with the industry life cycle of the organization in correlation to making strategic decisions. The accent is on the stages the organization goes through since it has started operating. Each stage is associated with particular kinds of forces in the task environment and the strategies for successfully managing the organization change accordingly. Hence, it is crucial for managers to recognize and understand in which phase of the life cycle their organization is in. The stages are as follows:

Stage 1: Birth - characterized by competition among companies to develop the winning technology – the one that will allow them to provide the goods and services that customers want (managers of new companies experiment with different ways of producing the product or

CRITERIA

Does your organization ensure that a possible course of action is legal and does not violate any domestic and international laws or government regulations? 1 2 3 4 5

Do you consider the effect a decision would have on all the stakeholders of the organization? (shareholders, suppliers, customers, employees, creditors, the environment) 1 2 3 4 5

Do you always ensure that the alternative you choose is practical and does not contradict other organizational goals? 1 2 3 4 5

Do you consider the current business cycle of your organization when making strategic decision? 1 2 3 4 5

Do you always choose the alternative that has the highest financial payoff for the organization, even if that alternative might not satisfy all the legal and ethical aspects? 1 2 3 4 5

delivering it to the customers).

Stage 2: Growth – begins at a point when a product gains customer acceptance and an influx and an influx of consumers enters the market; rapid growth in customer demand attracts many new organizations into the industry, increasing level of competition.

Stage 3: Shakeout – near the end of the growth stage there is a marked change in an industry task environment because slowing customer demand for the products of the industry raises the level of competition; inefficient companies are driven out. This phase is not part of the original model, which includes only four stages, it was introduced by Hill and Jones in 1998.

Stage 4: Maturity – most customers have bought the product and demand is growing slowly or is constant; the task environment is more stable because relationships with suppliers, distributors and competitors are more predictable; customers have developed brand loyalty for the products of certain industries; level of competition is lower, more predictable.

Stage 5: Decline – final stage of evolution; customer demand decreases; typically production is higher than demand; organizations cut prices and competition increases; the inefficient companies are driven out.



How long has your organization been operational?

- A) Less than 3 years
- B) From 3 to 6 years
- C) From 6 to 10 years
- D) From 10 to 20 years
- C) More than 20 years

2.4 Time horizon for setting goals within the organization

	STAGES OF INDUSTRY MATURITY			
COMPANY'S COMPETITIVE POSITION	BIRTH (NEW)	GROWTH	MATURITY	DECLINE
DOMINANT				
STRONG				
FAVORABLE				
ACCEPTABLE				
WEAK				

T
he
ans
wer
s of
thes
e
que
stio
ns
wou

STAGES OF INDUSTRY MATURITY

- Do you feel the competitive pressure from your competitors to always develop new technologies, products or services? (birth) 1 2 3 4 5
- Are there many entrants in your industry? (birth) 1 2 3 4 5
- Have you gained customer acceptance of your products/services yet? (growth) 1 2 3 4 5
- Are you experiencing slowing customer demand? (shakeout) 1 2 3 4 5
- Is your demand constant or growing slowly? (maturity) 1 2 3 4 5
- Do you feel pressure to cut prices? (maturity) 1 2 3 4 5
- Do you supply more than the market demands? (maturity) 1 2 3 4 5

Id indicate how long the stages of the life cycle last in Macedonian organizations and when the transition for one to another stage occurs. At the same time, the perceptions that the respondents hold of the maturity of their organization would be examined and the correlation of the correlation between decision making in stages in the industry life cycle.

Do you set goals within your organization to be attained in 1 2 3 4 5
less than 1 year?

Do you set goals within your organization to be attained 1 2 3 4 5
within 1 to 5 years?

Do you se goals within your organization to be attained 1 2 3 4 5
within 5 years or more?

3 Ethics in Decision Making Practices of the Business Community in Macedonia

As already discussed in chapter II, simply stated, ethics refers to standards of behaviour that tell us how human beings ought to act in the many situations in which they find themselves- as friends, parents, children, citizens, businesspeople, teachers, professionals, and so on. Many philosophers and ethicists have suggested at least three different sources of ethical standards that should be used:

Utilitarian

The utilitarian approach to ethical decision making focuses on taking the action that will result in the greatest good for the greatest number of people.

Moral Rights

The moral rights approach concerns itself with moral principles, regardless of the consequences. Under this view, some actions are simply considered to be right or wrong.

The Fairness or Justice Approach

Aristotle and other Greek philosophers have contributed the idea that all equals should be treated equally. Today we use this idea to say that ethical actions treat all human beings equally-or if unequally, then fairly based on some standard that is defensible. We pay people more based on their harder work or the greater amount that they contribute to an organization, and say that is fair. But there is a debate over CEO salaries that are hundreds of times larger than the pay of others; many ask whether the huge disparity is based on a defensible standard or whether it is the result of an imbalance of power and hence is unfair.

When making a decision do you make sure that the action will result in the greatest good for the greatest number of people (in terms of the stakeholders)? 1 2 3 4 5

Are your decisions guided by your moral principles even if the outcome resulting from it is not the optimal one? 1 2 3 4 5

Even if not everyone gets all they want as a result of your decision on a certain issue, do you make sure that the decision you make will respect everyone's rights and dignity? 1 2 3 4 5

When deciding on human resource issues, are your decisions aimed at treating all the employees equally 1 2 3 4 5

SURVEY RESULTS

The margin of error of the results is 13.8%, which means that if the same research is done another 1000 times, in 95% of the cases the results will be the same.

The data has been analyzed on the basis whether the organization is for profit or not for profit. Following are the tables of different statistical variables. If the difference between the two on a certain question is lower than 0.05, then there is a considerable difference in the answers.

Summary of Survey Results per Question

For graphical view of the results per question refer to Appendix I.

Decision Making Styles:

According to these answers the Macedonian culture is ambiguity avoidant which is puzzling and must be a left over from the socialist society since today's environment encompasses a great deal of ambiguity.

On the ambiguity avoidance question there were unexpected responses in which most respondents answered they frequently feel comfortable in new and unexpected situations, or they feel very comfortable or are undecided.

Most respondents stay calm when they have to make decisions quickly, a considerable number were undecided or felt they stay calm very frequently. It could be inferred that although the respondents still believe they don't want to deal with ambiguity they have managed to adapt well to the changes of the Macedonian society. Also it shows that most of the respondents fall within the category of directive decision making style.

Most respondents answered that they frequently don't go on searching for the optimum solution when they have already come across a satisfying one which proves bounded rationality in the process of decision making.

Most respondents enjoy working alone or are undecided. Only few answered that they do which indicated the behavioral decision making style and the majority indicated the directive.

The respondents were certain that they very frequently or frequently consider all of the implications when making decision. This implies a directive decision style, not even one answer

indicated the opposite – the conceptual or the moderate which is the analytical style of decision making.

It seems as though most respondents do look and evaluate as many alternatives as possible, however there should be caution when taking these results because some answers could be, for a lack of a better word, a consequence of wishful thinking.

Once again the respondents believe that they work out all the pros and cons before reaching a decision, which indicates the conceptual decision making style.

Participative decision making indicates behavioural style of decision making and most respondents answered that they frequently consult with others when reaching a decision to a problem.

There is a very strong indication of the status quo bias which seems typical to Macedonia although the country is in constant changes. Some answers point out to the conformation bias. Seems like repetition of decisions is frequent or very frequent which demotivates most employees. There are plenty of SOP's in place in most of the organizations the respondents belong to.

As a consequence of the former answers of the questions, infrequently or very infrequently are the respondents asked to make unstructured decisions without an SOP in place.

Sadly but true, most of the respondents feel that their organizations are rarely concerned with the legal framework of decisions, whereas some feel that the situation is reverse. The non for profit organizations, according to the respondents are more concerned with the legal aspects of their actions

On the other hand, as obvious the stakeholders seem to be well taken care of meaning, the organizations make sure that the stakeholders are treated fairly and especially the shareholders are satisfied.

Most organizations that the respondents belong to are young operating from 3 to 6 years of in the market.

But it seems that the industries are more mature with very infrequently and infrequently being the largest group which is contrary to the years those organizations have been operational. This points out to decline in the industry life cycle. Most do which points to mature industries. Most frequently have that situation which also means a mature industry life cycle. It is felt that it is mostly mature industries that the respondents' organizations belong to.

Most of the respondents follow the utilitarian approach which is quite refreshing. Short term planning is obviously in place and a routine.

However, there seems to be a lack of medium term planning. Although frequently seems to be the largest group this are balanced answers. It is nice to see that not all of the managers think that the ends justify the means. As expected most respondents feel that they do. This is puzzling but the majority feels they don't do so.

There seems to be a lack of code of conduct. But the reward systems seem to be fair however this is also a divided answer question. The respondents seem to be aware of what they need to do to get rewards. It is either definite no or yes on the national ethical standards. Most are not aware of occupation standards of their profession. But they believe that the reward system correlates to the standards they are not aware of.

Differences Between and Managers Working in Profit Organizations and Managers Working in Not For Profit Organizations

For graphical representation of the differences between profit and not for profit organizations please refer to Appendix II.

Not for profit organizations are better at processing more thoughts at the same time whereas the not for profit ones find it more difficult to do that. Profit organizations tend to minimize uncertainty and are hence more ambiguity avoidant than the not for profit ones. Moreover, not for profit organizations are much better at dealing with novel and unexpected situations than the profit ones and are calmer when a decision needs to be made very quickly.

Profit organizations tend to use bounded rationality much more than the not for profit ones in their decision making process and enjoy working alone more than the not for profit organizations.

Due to the nature of their industries the not for profit organizations tend to deal more often with crisis and unexpected situations and it is only logical that they would score higher on ambiguity tolerance than the profit organizations. Also the profit organizations are more constrained by budgets than the not for profit ones hence the use of bounded rationality in the profit organizations.

The profit organizations more often tend to make decisions without considering all of the implications than the profit organizations and also as already discussed they don't go searching for the optimal solution when they have come to the one that will just do, hence are less likely to work out all the pros and cons before making a decision.

Non profit organizations feel much less in control of things than the profitable organizations which is more than obvious concerning the environmental dependence of their line of work.

Non for profit organizations are much more concerned with the legal issues concerning a decision than the profit organizations. Whereas the profit organizations logically are more concerned with the industry life cycle they are in than the profit organizations (the scale for this question was reverse hence the disproportional graph).

The profit organizations are the ones that are faced with lower customer acceptance of their products compared to the not for profit organizations.

The time horizon for setting goals is much longer in the profit organizations than in the not for profit ones and they seem to set their goals to be attained in less than one year and even more from 1 to 5 years compared to the not for profit.

The moral principles are issues that the not for profit organizations give more attention to than the profit ones and the equal treatment of employees is as more important issues to the not for profit organizations.

Although to a lesser extent, the profit organizations tend to accept bribery as an acceptable practice and their reward systems don't always correlate to the personal ethical standards of the employees and even more compared to the national ethical standards.